

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

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MUNICIPAL RAILWAY:

Revolving Fund
July 1, 2002, Through
June 12, 2003



Audit Number 02054
October 31, 2003



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

October 31, 2003

Audit Number 02054

Municipal Transportation Agency Board of Directors
City and County of San Francisco
401 Van Ness Avenue, Suite 334
San Francisco, CA 94102

Chairman and Members:

The Controller's Audits Division presents its report concerning the audit of the revolving fund at Municipal Railway (MUNI). MUNI uses the revolving fund as a change fund for its passengers and to pay for services and minor purchases.

Reporting Period: July 1, 2002, Through June 12, 2003

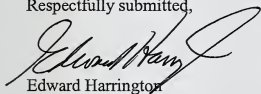
Authorized Amount: \$100,000

Results:

MUNI correctly administered and used its revolving fund. The authorized amount is adequate to meet its operational needs.

MUNI's response is attached to this report.

Respectfully submitted,



Edward Harrington
Controller

INTRODUCTION

BACKGROUND

The Board of Supervisors of the City and County of San Francisco appropriated a cash revolving fund of \$100,000 to the Municipal Railway (MUNI) under the San Francisco Administrative Code (Administrative Code) Section 10.150. MUNI uses this fund as a change fund for passengers to purchase their tickets and to pay for services and minor purchases. Some of the fund is also used to issue ticket refunds to MUNI passengers and to provide cash advances to employees. Each cash advance is limited to \$200 per pay period and the money is deducted from the employee's paycheck in the following pay period.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine whether MUNI's revolving fund assets agreed with the amount authorized in the Administrative Code and recorded in the Controller's Financial Accounting and Management Information System (FAMIS). We also determined if MUNI correctly administered and used the revolving fund. In addition, we assessed whether the internal controls over the fund were adequate, and whether the revolving fund was sufficient to meet MUNI's operational needs.

To conduct the audit, we reviewed the applicable provisions of the Administrative Code, the Controller's Departmental Instruction No. 1052, and the Purchaser's *Guide to Ordering Goods and Services*. We evaluated MUNI's procedures for recording, summarizing, and reporting the revolving fund transactions. We tested MUNI's revolving fund transactions during the audit period to determine whether the transactions were proper and valid.

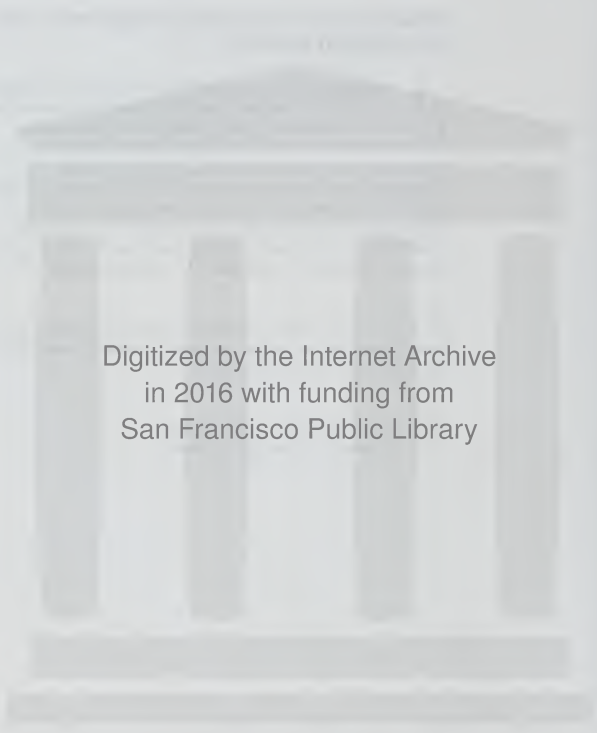
AUDIT RESULTS

MUNI'S REVOLVING FUND AGREED WITH THE AUTHORIZED AMOUNT

As of June 12, 2003, we found that, in all material respects, MUNI's revolving fund balance of \$100,000 agreed to the amount authorized in the Administrative Code and as recorded in FAMIS. MUNI used the fund assets within the intended purpose of the fund and in compliance with the Controller's Departmental Instruction No. 1052. Further, we found that MUNI's internal controls over its revolving fund were adequate and the expenditures made by MUNI were valid and properly supported. Finally, we determined that the revolving fund amount was sufficient to meet MUNI's operational needs.

We conducted this review according to standards of the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Noriaki Hirasuna, Audit Director
Winnie Woo, Associate Auditor



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MUNICIPAL TRANSPORTATION AGENCY RESPONSE TO THE AUDIT:



Municipal Transportation Agency City and County of San Francisco

October 27, 2003

Edward Harrington, Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4694

Subject: Municipal (MUNI) Railway Revolving Fund Audit

Dear Mr. Harrington:

Thank you for giving MUNI an opportunity to review and respond to your department's report and management letter recommendations concerning the revolving fund audit at MUNI. We agree with recommendations in the management letter and have taken corrective action concerning signatory authority. MUNI Finance submitted an updated list of authorized signatories to the bank September 29, 2003 after receiving approval from the Office of the Treasurer. Staff will be implementing the remaining recommendations within the next thirty days.

I wish to thank the auditors for their professionalism in conducting the audit. Please call Elena Chiong at 554-7610 if you have questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael T. Burns".

Michael T. Burns
Executive Director

MTB/gk

c: Gigi Harrington, Deputy General Manager, Finance and Administration



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